Southern: Analysis in color yields rate structure insights

May 26, 1980

RAILWAY AGE

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Inside

LUTHER S. MILLER

AND NOW, SANTA FE-SP

Forbidden by law to seek partners among the other transportation modes, the railroads have gone in heavily for intermarriage—a practice that has produced its share of idiot offspring but has also produced such healthy and clear-thinking giants as Burlington Northern. In the "healthy giant" category, we'd say, are the rail carriers that will be produced by three huge mergers now at various mileposts along the road to consummation—Chessie-Seaboard, Missouri Pacific-Union Pacific, and Santa Fe-Southern Pacific.

Now that the federal government has decided that (1) we have too many railroads and (2) it's time the government diverted some of its attention from the sick railroads to the healthy railroads, with the idea of keeping them that way, neither the Chessie-Seaboard nor the UP-MP proposals would seem likely to face a lot of difficulty in Washington. It is to be expected, however, that the Santa Fe-SP plan will produce some weeping fits among those shippers who want strong competition at any price, as long as they do not have to pay for it themselves; it has already set nerves on edge at the Justice Department and at the ICC.

The latest pair to start along the merger road are, of course, ATSF and SP. A few months ago we described as "stunning" the news that UP proposed to absorb the MoPac. No less strong a word can be used to describe the impact that the ATSF-SP announcement had on the financial community May 15. For 24 hours prior to the announcement, after it had become known that SP was talking merger with "another transportation company," there was a furious guessing game. It ended when Santa Fe rang up reporters on the night of May 14 to announce a news conference for the following morning at 10:30—the very hour SP was to begin its annual shareholder meeting in New York. Our story appears on p. 13.

IT ALL BEGAN IN 1838

Railroads have been merging almost since railroading began—a good thing, because if there had never been a railroad merger, we would today have 6,000 railroads instead of 300. The first railroad merger, according to the AAR, was the coming together in 1838 of the Wilmington & Susquehanna and the Baltimore & Fort Deposit to form the Philadelphia, Wilmington & Baltimore.

While it's the big ones—the Penn Centrals, the BNs, the Seaboard Coast Lines—that stick in the mind, there have actually been 70 different railroad merger proceedings before the ICC in the last 25 years, according to the AAR. Who's next? After this year's surprises, who would dare guess?

TOMORROW'S FREIGHT CAR: THE SAME, EXCEPT. . .

The freight car is not the most glamorous vehicle that mankind has ever devised, nor the fastest, but for a century and a half it has been civilization's workhorse—and, as our romance with the internal combustion engine continues to cool, it's beginning to look as if the freight car might be around for another 150 years.

We have no idea what the freight car will look like or be like then—but in this issue we do take a cautious look 10 years down the road. In our cover story (p. 29), the fourth in our technology series, Senior Editor Gus Welty suggests that there will be more changes than will meet the eye: "The railcars of tomorrow will look much like the railcars of today, but with significant improvements in the ways in which their components go together and work together."

Market

CARLOADINGS

Loadings of revenue freight in the week ended May 3 totaled 457,944 cars, according to the Association of American Railroads. This was a decrease of 35,658 cars, or 7.2%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended May 3 are estimated at 18.0 billion, a decrease of 1.3% below the corresponding week of 1979.

REVENUE FREIGHT CARLOADINGS

Commodity	May 3 week	Apr. 26 week
Grain	23,896	25,183
Farm products	4,597	3,934
Metallic ores	35,410	33,617
Coal	115,208	117,427
Crushed stone, gravel & sand	15,709	14,805
Nonmetallic minerals	16,732	15,632
Grain mill products	16,469	16,257
Food and kindred products	17,547	17,230
Primary forest products	19,884	19,000
Lumber & wood products (except furniture)	8,642	8,245
Pulp, paper & allied products	21,898	20,778
Chemicals & allied products	30,152	29,778
Petroleum products	5,577	5,703
Stone, clay & glass products	15,716	15,971
Coke	5,499	6,269
Metals & products	18,629	18,381
Motor vehicles & equipment	17,071	18,206
Waste & scrap materials	14,528	14,110
Forwarder & shipping assn. traffic	11,279	11,167
All other carloads	43,302	42,784
LCL traffic	199	211
Total cars loaded	**457,944**	**454,688**

Cumulative total 18 weeks	1980	1979
	7,966,911	7,926,773
Estimated revenue ton-miles (billions) 18 weeks	315.9	296.7

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended Apr. 26 totaled 32,286 cars (19.2% below the corresponding 1979 week) and 59,281 trailers or containers (down 17.0% from 1979). Cumulative volume for the first 17 weeks of 1980 is 567,420 cars (down 5.2% from 1979) and 1,030,323 trailers or containers (down 3.0% from 1979).

CANADIAN CARLOADINGS

Canadian railway revenue freight loaded in the seven-day period ended Apr. 14 totaled 4.97 million tons (up 20.6% from 1979). Cars loaded totaled 72,971 (up 13.7% from 1979). Cumulative loadings for 1980 were up to 70.5 million tons (up 7.5% from 1979).

● *Port Authority of Allegheny County (Pa.).*—Authorized award of contracts to General Electric Co., subject to UMTA concurrence, for rehabilitation of 10 passenger coaches ($4,065,393) and purchase of two remanufactured locomotives ($1,297,872).

● *Rex Leasing, Inc.*—Has announced, along with Merrill Lynch, Pierce, Fenner & Smith, that the Rex Leasing Covered Hopper Railcar Management Program 1980 is now offering 1,100 new covered hopper cars, valued at approximately $58 million, to qualified investors, who will be given the opportunity to enter into management agreements with the leasing company, which is a wholly owned subsidiary of Rex-Noreco, Inc. Minimum purchase is one car. The offering and the opportunity to enter into management agreements is being made only by means of a prospectus, copies of which are available from any Merrill Lynch office.

● *Union Pacific.*—Ordered 100 61-foot, 100-ton-capacity bulkhead flatcars from Portec for delivery beginning this month. The cars are being built at Portec's Georgia Railcar Operations plant in Winder, Ga.

● *Freight cars and locomotives.*—The following report has been received from the AAR and the ARCI:

DELIVERED

	March 1980	March 1979	February 1980	Three Months 1980	Three Months 1979
Built new by carbuilders	8,224	7,787	7,440	22,870	20,072
Built new in RR shops	571	509	463*	1,462	1,301
Built new—total	8,795	8,296	7,903*	24,332	21,373
Rebuilt	222	110	97*	426	117
TOTAL DELIVERED	**9,017**	**8,406**	**8,000**	**24,758**	**21,490**
Locomotives	246	148	124	539	407

ORDERED

To be built new by carbuilders	3,471	14,801	3,776	13,357	43,851
To be built new in RR shops	0	0	0	0	500
To be built new—total	3,471	14,801	3,776	13,357	44,351
To be rebuilt	68	98	0	833	98
TOTAL ORDERED	**3,539**	**14,899**	**3,776**	**14,190**	**44,449**

ON ORDER AND UNDELIVERED

	April 1 1980	April 1 1979	March 1 1980	Average Backlog 1980	Average Backlog 1979
To be built new by carbuilders	96,165	113,802	104,045	103,328	104,149
To be built new in RR shops	4,790	5,510	5,361*	5,325	6,156
To be built new—total	100,955	119,312	109,406*	108,653	110,305
To be rebuilt	577	68	731*	712	115
TOTAL ON ORDER	**101,532****	**119,380**	**110,137**	**109,365**	**110,420**
Locomotives	1,114	1,143	1,291	1,230	1,249

* Revised figures.

** Due to revisions and cancellations of some orders, the backlog has been reduced by 3,127 cars. Cumulative figures for car orders have also been adjusted.